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STATE OF MONTANA
BOARD OF CERTIFICATION FOR WATER AND
WASTE WATER OPERATORS
REPORT ON EXAMINATION
Fiscal Year Ended June 30, 1969



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WASTE WATER OPERATORS

REPORT ON EXAMINATION

Fiscal Year Ended June 30, 1969

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF CERTIFICATION FOR WATER AND WASTE WATER OPERATORS

Board Members

Edward R. Waldo, Chairman	Billings	1974
Samuel R. Young, Vice-Chairman	Hardin	1971
C. W. Brinck, Secretary-Treasurer	Helena	Permanent
Robert A. Haverfield	Missoula	1973
Leonard Opprud	Havre	1972
C. Wayne Young	Butte	1970
Dr. William G. Walter	Bozeman	1969

Administrative Officials

C. W. Brinck, Director, Division of Environmental Sanitation, State Board of Health	Helena
Bettie Erickson, Office Manager	Helena

SUMMARY OF RECOMMENDATIONS

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Review certification procedures and implement procedures to insure more comprehensive certification coverage.	5
Confer with the state controller and establish and maintain currently a general ledger utilizing the double entry system and prepare yearend financial statements.	6
Record cash when it is received and deposit intact on a regularly scheduled basis.	7
Maintain records to identify revenue collections as to their classifications and year to which applicable.	8
Establish general ledger control accounts and a subsidiary ledger for equipment.	8
Record additions and deletions to equipment in the ledgers on a timely basis.	8
Include a statement of changes in general fixed assets in the annual financial statements.	8
Maintain employee attendance records and records showing time off earned, taken, and balance for employee vacation, sick leave, and overtime.	9

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STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the State Board of Certification for Water and Waste Water Operators as of June 30, 1969, and the related statements of operations, as set forth in the table of contents in this report, for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared on the cash basis of accounting and do not show financial position or operating results as do statements prepared on the modified accrual basis in accordance with generally accepted accounting principles applicable to governmental units.

The board does not maintain a general ledger nor does it utilize the double entry system of accounting. Financial statements are not prepared at yearend. Those statements appearing in this report were prepared from the state controller's reports and detail records maintained by the board.

In our opinion, subject to the exceptions described in the preceding paragraphs, the accompanying financial statements present fairly the financial position of the Board of Certification for Water and Waste Water Operators as of June 30, 1969, and the results of its operations for the year then ended, in conformity with

generally accepted governmental accounting principles applied on a basis consistent with that of the preceding year.

We submit the financial statements listed in the preceding table of contents together with the following comments.

COMMENTS

GENERAL

The Board of Certification for Water and Waste Water Operators was created by Montana Statutes of 1967, Chapter 239. This act provides for a seven-member board to regulate operators of water supply systems and waste water treatment plants. The board consists of two water system operators, two waste water operators, one faculty member of a university in a related field, one representative of a municipality, and the director of the division of environmental sanitation of the Montana State Board of Health. Board members are appointed by the governor for six-year terms except for the member from the Board of Health, who is a permanent member of the board. Board members receive compensation of \$20 per day in addition to necessary expenses while attending board meetings.

Waste water treatment plants, water supply and distribution systems, and water treatment plants are regulated by this board. The main areas of responsibility of the board are the classification of such plants and the certification of the competency of operators of such plants. One annual examination, administered by the board, is designed to test such competency. The act provided for certification without examination of all operators in responsible charge of such plants on the effective date of the act (July 1, 1967).

The board's records indicate that there are five classes of licenses for each type of plant and a total of over 700 licensed operators. As of June 30, 1969, one examination had been given and 14 operators were licensed by examination, the remainder being licensed under the "grandfather clause" of the act.

During the year ended June 30, 1969, the board had one part-time employee who acted as office manager for the board. The office manager reports to the

director of the division of environmental sanitation of the State Board of Health. The director has been empowered by the board to review and approve applications for operators' licenses and to administer examinations.

The board office space and telephone service is shared with the Board of Plumbing Examiners and the Water Well Contractors Examining Board. The director is also a member of each of these other two boards and is similarly their chief administrative officer.

The Board of Certification for Water and Waste Water Operators is self-supporting. License fees and examination fees of the board are deposited into the board's account in the earmarked revenue fund from which expenditures are made based upon legislative appropriations.

During the formative period of the board, expenses were paid from grants of \$1,000 each from the Montana section of the American Water Works Association and the Montana Water Pollution Control Association. Each grant was in the form of a drawing account limited to \$1,000 from each association. These funds were not deposited into the board's account, disbursements being made directly by the association making the grant. The disbursements made from these grants were all made prior to the 1968-69 fiscal year and accordingly these funds were not included in this audit.

No appropriation was made to the board by the 1967 Legislative Assembly. A budget amendment was approved in February 1968 in the amount of \$3,980 for the remainder of the 1967-68 fiscal year. The board incurred expenditures of \$2,905 from that authorization through June 30, 1968, and, as shown on Exhibit D, \$1,075 was carried over to the 1968-69 fiscal year. A budget amendment for \$5,975 was approved for the 1968-69 fiscal year.

CERTIFICATION PROCEDURES

The Board of Certification for Water and Waste Water Operators was established and began operations during the 1967-69 biennium. The board relies upon the State Department of Health to a large extent for determination as to who should be certified because of the department's contact with the operators of water supply systems, distribution systems, and treatment plants. Current procedures are for the department personnel to report informally to the board any new operators or changes in operators of which they become aware. Because of this informal system and the fact the operation is relatively new, there are still several community systems that department personnel believe should have certified operators which currently do not. In order to insure that only qualified operators are in charge of all the water and waste water systems and plants of sufficient size to warrant certification, we believe the board needs to coordinate its efforts with the Department of Health on a more formal and comprehensive basis. This would involve more inquiries, development of possible leads through independent sources, and written communication between the board and department. One possible approach that should be considered is the merging of the board's operation with the Department of Health.

RECOMMENDATION

We recommend that the board review its certification procedures and implement the necessary procedures to insure more comprehensive certification coverage.

ACCOUNTING SYSTEM

The board does not maintain a general ledger, utilize the double entry system of accounting, or prepare yearend financial statements.

A general ledger should be maintained and posted on a monthly basis to properly show changes and balances of the board's assets and account balance and the accumulated revenues and expenditures for the year. The general ledger should be posted monthly from books of original entry (cash receipts register, claims register, etc.).

The double entry system should be utilized to keep the accounts in balance, show the dual effect upon each financial transaction, and provide the basis for preparation of accurate and complete financial statements and reconciliations.

Each state agency is required by law (Section 59-701, R.C.M. 1947) to submit annual financial statements to the state controller. Financial statements are basic to show the results of each agency's operations and its financial position at yearend. The state controller is presently in the process of establishing the bases of the content, format, and instructions for preparation of the financial statements to be prepared by state agencies in the future.

RECOMMENDATION

We recommend that the board confer with the state controller and that a general ledger be established and posted on a monthly basis utilizing the double entry system and that yearend financial statements be prepared.

CASH PROCEDURES

It has been the practice of the board to hold cash received until all the records relating to an application are in order before depositing the cash with

the state treasurer. No record is made of cash at the time of its receipt. Generally accepted internal control standards provide that cash receipts should be recorded as soon as practicable and that receipts should be deposited intact as promptly as possible on a regularly scheduled basis. We believe this to be particularly important in an agency as small as the board in which it is difficult to establish adequate internal controls.

RECOMMENDATION

We recommend that the board:

- 1. Record cash when it is received.*
- 2. Deposit promptly and intact all checks and cash received on a regularly scheduled basis.*

REVENUE ANALYSIS

The statute under which the board operates sets forth different classifications and fees for certificate holders. As shown by the Statement of Revenue, Exhibit C, \$12,487 in fees was collected by the board during 1968-69. The board's records, however, are not maintained in a manner that readily provide information as to the nature of the fees collected or the license year to which they are applicable. On Appendix I (last page of this report), we have illustrated the type of information concerning the board's revenue collections we believe would be of interest to the board members and other interested readers of the board's financial statements. This type of information would show the fees collected by their nature, type, and classification and would identify the license year to which they apply thus providing information for comparative and other analysis purposes.

RECOMMENDATION

We recommend that the board maintain its records for revenue collections in a manner to readily identify collections as to their classification and the year to which they apply.

CONTROL OVER EQUIPMENT

The board needs to develop some basic records to accurately account for its equipment. Presently general ledger control accounts or detail ledgers are not maintained. The information contained in the financial statements of this report was developed by examining claims in payment of equipment purchases. This information should be available from control and detail ledgers posted in the period in which equipment transactions occur and reflected in the board's year-end financial statements.

RECOMMENDATION

We recommend that the board:

- 1. Establish control accounts in the general ledger for its equipment and a subsidiary ledger in which each equipment item is recorded.*
- 2. Record additions and deletions to equipment in the ledgers on a timely basis.*
- 3. Include a statement of changes in general fixed assets in their annual financial statements.*

EMPLOYEE ATTENDANCE RECORDS

Like many smaller state agencies, the board has not maintained formal records relating to employee attendance or of their time off earned and taken for vacation,

sick leave, and overtime. The maintenance of attendance records is basic as a support for payment of employees' salaries. The maintenance of records showing employees' vacation, sick leave, and overtime earned, time taken off, and balance is essential to readily determine that time taken off by an employee was earned. Although the board has only one part-time employee, we believe these records are needed for proper administration of the agency.

RECOMMENDATION

We recommend that the board maintain employee attendance records and records showing time off earned, taken, and the balance for employees' vacation, sick leave, and overtime.

CONCLUSION

Like most of the state's professional and occupational licensing boards, the Board of Certification for Water and Waste Water Operators is a relatively small state agency. There is only one part-time office employee and as a result it is difficult to establish adequate internal controls and maintain adequate accounting records. However, the implementation of a double entry system built around currently maintained general and subsidiary ledgers together with the other recommendations contained in this report should result in a basically sound system for the board pending the development of a standardized statewide accounting system.

We have reviewed the recommendations in this report with the board's administrative director and office manager. We wish to express our appreciation to them for their excellent cooperation.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett
Legislative Auditor

September 17, 1969

BOARD OF CERTIFICATION FOR WATER AND WASTE WATER OPERATORS

ALL FUNDS
BALANCE SHEET
June 30, 1969

	<u>Earmarked Revenue Fund</u>	<u>General Fixed Assets</u>
<u>Assets</u>		
Cash in State Treasury	\$11,773	\$ --
Equipment	--	785
Total Assets	<u>\$11,773</u>	<u>\$ 785</u>
 <u>Reserves and Fund Balance</u>		
Reserves for:		
Encumbrances	\$ 63	\$ --
Investment in General Fixed Assets	--	785
Fund Balance--Exhibit B	<u>11,710</u>	<u>--</u>
Total Reserves and Fund Balance	<u>\$11,773</u>	<u>\$ 785</u>

EXHIBIT B

BOARD OF CERTIFICATION FOR WATER AND WASTE WATER OPERATORS
EARMARKED REVENUE FUND
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1969

Fund Balance, July 1, 1968		\$ 4,723
Additions:		
Revenue - Exhibit C		<u>12,487</u>
Total Balance and Additions		17,210
Deductions:		
Expenditures - Exhibit D	\$ 5,437	
Reserve for Encumbrances, June 30, 1969	<u>63</u>	<u>5,500</u>
Fund Balance, June 30, 1969		<u>\$ 11,710</u>

EXHIBIT C

BOARD OF CERTIFICATION FOR WATER AND WASTE WATER OPERATORS
EARMARKED REVENUE FUND
STATEMENT OF REVENUE

Fiscal Years Ended June 30, 1968 and 1969

	<u>Fiscal Year Ended June 30,</u> <u>1968</u>	<u>1969</u>
Application and Certification Fees	<u>\$ 7,628</u>	<u>\$12,487</u>

NOTE: Revenue for the fiscal year ended June 30, 1968
was not audited but is presented for informational
purposes.

BOARD OF CERTIFICATION FOR WATER AND WASTE WATER OPERATORS
EARMARKED REVENUE FUND
STATEMENT OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS
Fiscal Year Ended June 30, 1969

	<u>Operation</u>
Carryover Balance from 1967-68	
Budget Amendment	\$ 1,075
1968-69 Budget Amendment	<u>5,975</u>
Total Available	7,050
Expenditures	5,437
Encumbrances	<u>63</u>
Balance Reverted	<u>\$ 1,550</u>

ANALYSIS OF EXPENDITURES

Personal Services:		
Salaries - Office Manager	\$ 2,375	
Employee Benefits	214	
Board Member Fees	<u>680</u>	
Total Personal Services		\$ 3,269
Operation:		
Supplies and Materials	782	
Communications	162	
Travel Expense	811	
Rent	200	
Duplicating Services	69	
Data Processing Services	129	
Other	<u>15</u>	
Total Operation		<u>2,168</u>
Total Expenditures		<u>\$ 5,437</u>

BOARD OF CERTIFICATION FOR WATER AND WASTE WATER OPERATORS
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Fiscal Year Ended June 30, 1969

Equipment - Balance, July 1, 1968	\$ 785
No Changes	<u>--</u>
Equipment - Balance, June 30, 1969	<u><u>\$ 785</u></u>

BOARD OF CERTIFICATION FOR WATER AND WASTE WATER OPERATORS
EARMARKED REVENUE FUND - ACCOUNT #207970
PRO-FORMA STATEMENT OF REVENUE
Fiscal Year Ended June 30, 1969

	<u>Collection for Certificate Year</u>			
	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>	<u>Total</u>
Class I	\$ xx	\$ xx	\$ xx	\$ xx
Class II	xx	xx	xx	xx
Class III	xx	xx	xx	xx
Class IV	xx	xx	xx	xx
Class V	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Total	<u>\$ xx</u>	<u>\$ xx</u>	<u>\$ xx</u>	<u>\$12,487</u>
Application Fees	\$ xx	\$ xx	\$ xx	\$ xx
Renewal Fees	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Total	<u>\$ xx</u>	<u>\$ xx</u>	<u>\$ xx</u>	<u>\$12,487</u>
Water Plant Operators	\$ xx	\$ xx	\$ xx	\$ xx
Water Distribution Operators	xx	xx	xx	xx
Waste Water Plant Operators	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Total	<u>\$ xx</u>	<u>\$ xx</u>	<u>\$ xx</u>	<u>\$12,487</u>

